

The complaint

Mr G complains TSB Bank plc ("TSB") provided an overdraft to him that was unaffordable.

What happened

In August 2014, Mr G applied for an overdraft facility of £1,500 for his current account. TSB approved this request. Following this, Mr G's overdraft limit was increased in May 2016 to £2,000 and twice in November 2020 to £2,500 and then £3,000 .

In January 2022, Mr G complained to TSB. He said when he opened the account in 2016, it was a student account and so, it had a limit of £2,000. But he thought TSB had irresponsibly approved this limit, as he had a gambling problem at the time which was evident from his bank statements. He said he had been overdrawn for a number of years which put him into financial difficulty. To put things right, he said he wanted TSB to remove his overdraft and he wanted a refund of all the interest and fees he had paid since being approved for the overdraft in 2016.

In March 2022, TSB looked into Mr G's complaint and said it disagreed that it had been irresponsible in lending to Mr G. It said:

- Mr G would have only paid overdraft overlimit fees between August 2014 and August 2019. This is because prior to August 2019, Mr G's overdraft was on student and then graduate terms.
- it could see gambling transactions on Mr G's account statements, but he didn't tell it about his gambling problem until March 2021. It said at the time, it offered support to Mr G on a number of occasions and refunded or waived interest in seven out of 12 months in 2021. It also said it discussed a refinancing loan with Mr G in December 2021, but Mr G decided against completing this despite TSB chasing him.
- it agreed to refund the charges debited from Mr G's account for January to March 2022. These amounted to around £115. It also agreed to waive pending charges for April 2022 which amounted to around £70.

Unhappy with this, Mr G referred his complaint to our service. He reiterated his complaint and said he previously had a gambling problem and TSB contributed to this by increasing his overdraft from £2,000 to £3,000 without asking any questions. He said his TSB bank statements at the time demonstrated the extent of his gambling and so, TSB had irresponsibly lent to him.

One of our adjudicators looked into Mr G's complaint and thought TSB had acted irresponsibly by increasing Mr G's overdraft limit to £2,000 in November 2020. She said she thought if TSB had carried out a proportionate check at the time, it would have likely shown that Mr G was having problems managing his money, specifically that he was gambling significant sums and he was in a cycle of borrowing from payday lenders. She said TSB should rework Mr G's account to remove all of the interest and charges added to his account above the £2,000 overdraft limit from 11 November 2020.

TSB agreed. Mr G responded and queried whether our adjudicator thought it appropriate that TSB increased his overdraft limit to £2,000 in 2016 given he had problems managing his money at the time. Our adjudicator reviewed Mr G's comments and said she didn't think

Mr G had been gambling excessively in 2016, but thought this should have been apparent to TSB when Mr G's overdraft limit was increased in 2020. Mr G responded saying he agreed.

Following this, Mr G contacted our service to say he disagreed. He said he should be refunded all interest and fees TSB had applied since November 2020, rather than only the interest and fees charged above the £2,000 overdraft limit.

Since then, Mr G has said that TSB hasn't done what he expected it to do as a result of accepting the adjudicator's assessment. He said he was expecting it to reduce his overdraft limit and then make a payment over the refund separately to him. He said as a result of this, a Direct Debit payment hadn't been paid and this would affect his credit file. He said he wanted part of his salary, which had been absorbed by the reduction in the credit limit, to be repaid by TSB. He said TSB didn't tell him it would be reducing his overdraft limit.

Our adjudicator explained that TSB had processed the refund correctly and it hadn't acted incorrectly when it reduced his overdraft limit to £2,000, as she didn't think it was fair it increased it above £2,000 in November 2020.

TSB also confirmed the refund Mr G was due to receive as a result of the adjudicator's recommendations was around £120. But as a gesture of goodwill, it refunded all the interest Mr G had paid since November 2020, which totalled around £550. It said a payment Mr G made the same day of £450 took him over the £2,000 limit and Mr G had refused a temporary limit of £450. It also provided a letter it sent to Mr G explaining his overdraft limit would be reduced and said it reiterated this in a call to him.

Our adjudicator thought that TSB had done more than it was told to in her assessment and so, didn't think TSB had acted unfairly.

Mr G said he wasn't aware that his account overdraft limit would be reduced from £2,000 to £3,000. He said the £450 payment was pending before TSB removed the overdraft limit. He said he had been left without any funds and he hadn't refused a temporary limit. Following this, TSB confirmed it had agreed a temporary overdraft with Mr G and he had agreed to carrying out an income and expenditure.

Our investigator said if Mr G was unhappy with the removal of the overdraft, then Mr G would need to raise a new complaint about this. She also highlighted that when Mr G had referred his complaint, he said he wanted TSB to remove his overdraft to put things right.

Mr G said this service should review all the issues that had occurred since he referred his complaint to this service.

As Mr G remains in disagreement, the case has been passed to me to decide.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've set out our approach to unaffordable/irresponsible lending complaints on our website – including the key relevant rules, guidance, good industry practice and law. I've considered this approach while deciding Mr G's complaint.

In this case, both parties agree that TSB shouldn't have increased Mr G's overdraft limit in November 2020. However, the outstanding dispute concerns TSB's actions in putting things right.

Our adjudicator recommended that TSB should refund Mr G's account with all interest and charges applied to any amounts over the £2,000 overdraft limit. TSB agreed to this. However, Mr G said he thought our adjudicator meant it would refund all interest and charges applied to his account since November 2020.

I'm satisfied our investigator correctly recommended that TSB should only refund the extra interest and charges paid by Mr G, as a result of his overdraft limit being increased in November 2020. So, the expectation was that TSB would refund any extra interest it charged Mr G as a result of being more than £2,000 overdrawn. This is because all parties agree that Mr G's overdraft limit shouldn't have been increased above the existing £2,000 limit in November 2020. So, it would be unfair for TSB to charge any interest and charges on any amount over £2,000.

However, TSB has confirmed that it went further than directed and that it actually refunded all the charges and interest applied to Mr G's account from November 2020. The refund recommended by our adjudicator totalled around £120. However, the refund paid by TSB was around £550. This is more than was recommended by the adjudicator. So, I'm satisfied TSB has acted more than fairly when refunding the overdraft charges and fees to Mr G's account and I don't think it's acted unfairly.

I now turn to the account overdraft limit being reduced. In May 2022, TSB wrote to Mr G and let him know it would be paying a refund of around £120 in June 2022 to reflect the refund of overdraft fees and charges. It also told him in this letter, it would be decreasing his planned overdraft limit. It said the refund would not repay his current outstanding balance and so, it would be in contact with him to discuss what repayment options would be available to him. The letter didn't say what Mr G's new overdraft limit was. But in early June 2022, TSB spoke to Mr G and was told his account overdraft limit would decrease to £2,000. So I'm satisfied that TSB told Mr G that the overdraft limit would be reduced in late June 2020.

Overdrafts are also repayable on demand. So TSB was entitled to reduce the arranged overdraft when it did. There was no dispute at that point that TSB shouldn't have agreed an overdraft limit of over £2,000 and all parties accept that an overdraft of more than this was and remains unaffordable for Mr G. In addition, in Mr G's complaint to TSB and also in his complaint referral to this service, he said he wanted TSB to remove his overdraft as a fair way to put things right. So, given all parties agreed that Mr G's overdraft shouldn't be increased above £2,000 and as Mr G had asked for his overdraft to be removed, I don't think TSB acted unfairly when it reduced the overdraft limit to £2,000. I think it acted with forbearance and due consideration given Mr G's current financial circumstances at the time.

Having said this, I think it would have been reasonable for TSB to have ensured that by reducing the overdraft limit, it wouldn't leave Mr G over his arranged overdraft limit.

I've looked at Mr G's statement for June 2022. Having done so, I can see that on 29 June 2022, TSB made refunds totalling around £550 to Mr G's account. This left his account in its overdraft by around £1,550. TSB also reduced Mr G's overdraft limit to £2,000. So at this point, when it made the adjustment, Mr G account wasn't over its arranged overdraft limit. However, the following day two Direct Debit payments that were due out of the account were unable to be paid. These appear to be for a car Mr G was leasing. Following this, Mr G made a discretionary card payment of £450 and transferred some funds to another account he held. Mr G says this discretionary payment was pending prior to the removal of the overdraft.

Having thought about this carefully, I'm satisfied that in reducing Mr G's account overdraft, TSB didn't leave Mr G over his arranged overdraft limit. This is because it had provided Mr G with sufficient notice it would be reducing his overdraft limit and when it reduced the limit, Mr G's account wasn't over its arranged overdraft.

Notwithstanding this, I can see that TSB offered Mr G a temporary overdraft limit of £450 two days after the overdraft limit was reduced. This was in place by 5 July 2022. I appreciate that Mr G likely suffered some distress and inconvenience between the six days in which TSB reduced the overdraft and a temporary overdraft was agreed. However, Mr G had been made aware that his overdraft limit was due to be reduced and so, I think it would have been reasonable for Mr G to contact TSB prior to the overdraft limit reduction to discuss his

options going forward. Nonetheless, even though TSB was entitled to reduce the overdraft and provided Mr G with notice of this, it still took steps to address the impact of the reduction once Mr G got in touch.

In these circumstances, I'm satisfied that TSB has acted fairly and reasonably and it follows that I don't think TSB need to do anything further to put things right.

My final decision

My final decision is that I'm satisfied that what TSB Bank Plc has already done to put things right for Mr G is fair and reasonable in all the circumstances of his case. So, I'm not requiring it to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 16 January 2023.

Sonia Ahmed
Ombudsman